

Message Text

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C O N F I D E N T I A L STATE 008924

DELIVER PROMPTLY TO THE HONORABLE ARTHUR F. BURNS
FROM FEDERAL RESERVE BOARD

THE TREASURY AND CORPORATE BOND MARKETS WERE STEADY TO FIRM TODAY AND MOST TREASURY BILL RATES DECLINED SOMEWHAT, WITH THE 3-MONTH BILL CLOSING AT 7.89 PER CENT. SYSTEM BUYING FOR FOREIGN OFFICIAL ACCOUNTS, REFLECTING UNEXPECTED RUNOFFS IN YESTERDAY'S WEEKLY AUCTION, CONTRIBUTED TO THE IMPROVEMENT IN THE BILL MARKET. FEDERAL FUNDS TRADED MAINLY AT 9-3/4 TO 9-7/8 PER CENT. THERE WERE NO DESK TRANSACTIONS FOR SYSTEM ACCOUNT. STOCK PRICES ROSE SOMEWHAT IN RELATIVELY SLUGGISH TRADING. THE DOW JONES INDUSTRIALS ADVANCED 6.22 POINTS TO A LEVEL OF 846.40.

THE RATE OF CAPACITY UTILIZATION IN MAJOR MATERIALS INDUSTRIES DECLINED FROM 96.0 PER CENT IN THE THIRD QUARTER TO 95.1 PER CENT IN THE FOURTH. THE FEDERAL RESERVE COMMODITY PRICE INDEX ROSE 2.8 PER CENT IN THE WEEK OF JANUARY 8 AND WAS 58 PER CENT ABOVE A YEAR EARLIER.

MAJOR FOREIGN CURRENCIES DECLINED AGAINST THE DOLLAR TODAY. THE POUND FROPPED BY OVER 4 CENTS TO A RECORD LOW OF DOLS 2.1865 AFTER THE BREAKDOWN OF TALKS BETWEEN THE GOVERNMENT AND THE TRADES UNION CONGRESS IN THE U.K.

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THE FRENCH FRANC CAME UNDER MORE SELLING PRESSURE AT THE

BOTTOM OF THE SNAKE, LEADING A DECLINE OF EUROPEAN CURRENCIES WHICH VERAGED 2/3 PER CENT TODAY. THE BANK OF FRANCE INTERVENED IN SUPPORT OF THE FRANC THROUGH SALES OF MARKS, GUILDERS AND DANISH KRONER. FRENCH AUTHORITIES ALSO ELIMINATED RESERVE REQUIREMENTS ON FOREIGN-HELD FRANC DEPOSITS WHILE RAISING RESERVE REQUIREMENTS ON DOMESTIC FRANC DEPOSITS BY 2 PER CENT.

IN OTHER INTERVENTION IN EUROPEAN CURRENCIES TODAY, THE BUNDESBANK SOLD DOLLARS AND THE SYSTEM AGAIN PURCHASED SWISS FRANCS IN THE NEW YORK MARKET.

THE JAPANESE MARKET WAS CLOSED TODAY.

EURO-DOLLAR RATES FIRMED SLIGHTLY AND GOLD ROSE 75 CENTS TO DOLS 125.50 AT THE SECOND FIXING IN LONDON. RUSH

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